# Consolidated Financial Statements

## Waterfront Development Corporation Limited

March 31, 2012

# Contents


| | Page |
|---|---|
| Management statement on financial reporting | 1 |
| Independent auditor's report | 2 |
| Consolidated statement of operations | 3 |
| Consolidated statement of financial position | 4 |
| Consolidated statement of change in net financial assets (debt) | 5 |
| Consolidated statement of cash flows | 6 |
| Notes to the consolidated financial statements | 7-16 |
| Schedules to the consolidated financial statements | 17-18 |

Grant Thornton

# Management statement on financial reporting

Grant Thornton LLP
Suite 1100,Cogswell Tower
2000 Barrington Street
Halifax, NS B3J 3K1

T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

To the Shareholder of
**Waterfront Development Corporation Limited**

The accompanying consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Management is also responsible to ensure that all information reproduced in the annual report is consistent with the statements. In carrying out its responsibilities, management maintains appropriate systems of internal controls designed to ensure that the financial information produced is relevant and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

Ultimate responsibility for the consolidated financial statements rests with the Board of Directors. A Finance, Audit and Risk Management Committee of non-management Directors is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Directors prior to their approval of the consolidated financial statements for publication. The Directors have established standards of conduct for employees to prevent conflicts of interest and unauthorized disclosure of confidential information.

The auditors review the consolidated financial statements in detail and meet separately with both the Finance, Audit and Risk Management Committee and management to review their findings. Grant Thornton LLP, Chartered Accountants report directly to the shareholder.

Colin MacLean, President
June 19, 2012

John Holm, Chair - Board of Directors
June 19, 2012



Audit · Tax · Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

Grant Thornton

# Independent auditor's report

Grant Thornton LLP
Suite 1100
2000 Barrington Street
Halifax, NS
B3J 3K1

T (902) 421-1734
F (902) 420-1068
www.GrantThornton.ca

To the Shareholder of
**Waterfront Development Corporation Limited**

We have audited the accompanying consolidated financial statements of Waterfront Development Corporation Limited (the "Corporation"), which comprise the consolidated financial position as at March 31, 2012, and the results of operations, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Corporation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**
In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at March 31, 2012, and the consolidated results of its operations, changes in net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Grant Thornton LLP

Halifax, Canada
June 19, 2012

Chartered accountants



Audit • Tax • Advisory
Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd

## Waterfront Development Corporation Limited
## Consolidated statement of operations

| Year ended March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Revenue | | | |
| Rents | $ 3,729,000 | **$ 3,580,266** | $ 3,661,975 |
| Provincial grant revenue | 285,000 | **273,300** | 351,367 |
| Recoveries | 313,700 | **330,379** | 176,838 |
| Investment income | 42,000 | **24,028** | 43,122 |
| Other income | 9,300 | **7,792** | 19,264 |
| | 4,379,000 | **4,215,765** | 4,252,566 |
| Expenses | | | |
| Property expenses (Schedule 1) | 2,021,600 | **2,226,473** | 1,841,214 |
| Corporate expenses (Schedule 2) | 2,045,400 | **1,854,237** | 1,954,332 |
| Lunenburg real estate and development projects (Schedule 3) | - | **(221,350)** | 91,039 |
| Tall Ships Nova Scotia Festival (Schedule 4) | - | - | - |
| | 4,067,000 | **3,859,360** | 3,886,585 |
| Annual surplus | 312,000 | **356,405** | 365,981 |
| Accumulated surplus, beginning of year | 31,386,193 | **31,386,193** | 31,020,212 |
| Accumulated surplus, end of year | $ 31,698,193 | **$ 31,742,598** | $ 31,386,193 |

See accompanying notes to the consolidated financial statements.

## Waterfront Development Corporation Limited
## Consolidated statement of financial position

| March 31 | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| **Financial assets** | | | |
| Receivables (note 4) | $ 782,752 | $ 675,115 | $ 304,094 |
| Capital grant receivable – Province of Nova Scotia | - | 56,967 | 10,000 |
| Mortgage receivable (note 5) | 199,000 | 1,100,622 | 873,617 |
| | 981,752 | 1,832,704 | 1,187,711 |
| **Liabilities** | | | |
| Bank indebtedness | 48,271 | 300,087 | 489,393 |
| Payables and accruals (note 6) | 1,349,420 | 1,272,132 | 1,518,661 |
| Loan payable (note 7) | 1,245,000 | 1,970,647 | 1,720,647 |
| Deferred revenue (note 8) | 4,337,194 | 3,358,903 | 2,743,017 |
| Deferred proceeds on sale of property | 275,000 | 1,239,072 | 964,072 |
| | 7,254,885 | 8,140,841 | 7,435,790 |
| **Net financial assets (debt)** | (6,273,133) | (6,308,137) | (6,248,079) |
| **Non-financial assets** | | | |
| Tangible capital assets (note 9) | 37,822,312 | 37,643,796 | 37,201,864 |
| Prepaids | 193,419 | 50,534 | 66,427 |
| | 38,015,731 | 37,694,330 | 37,268,291 |
| **Accumulated surplus (note 10)** | $ 31,742,598 | $ 31,386,193 | $ 31,020,212 |

Commitments (note 15)

On behalf of the Board

Director

Director

See accompanying notes to the consolidated financial statements

## Waterfront Development Corporation Limited
## Consolidated statement of change in net financial assets (debt)

| March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Annual surplus (deficit) | $ 312,000 | $ 356,405 | $ 365,981 |
| (Acquisition) / disposal of tangible capital assets | (1,010,000) | (948,056) | (1,131,884) |
| Amortization of tangible capital assets | 690,000 | 769,540 | 689,952 |
| | $ (320,000) | $ (178,516) | $ (441,932) |
| Acquisition of prepaid expense | $ - | $ (142,885) | $ - |
| Use of prepaid expense | - | - | 15,893 |
| | - | (142,885) | 15,893 |
| Decrease (increase) in net financial assets (debt) | (8,000) | 35,004 | (60,058) |
| Net financial assets (debt) beginning of year | (6,308,137) | (6,308,137) | (6,248,079) |
| Net financial assets (debt) end of year | $ (6,316,137) | $ (6,273,133) | $ (6,308,137) |

See accompanying notes to the consolidated financial statements

## Waterfront Development Corporation Limited
## Consolidated statement of cash flows

| Year ended March 31 | 2012 | 2011 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operating** | | |
| Annual surplus | $ 356,405 | $ 365,981 |
| Depreciation and amortization | 769,540 | 689,952 |
| | 1,125,945 | 1,055,933 |
| Change in non-cash operating working capital (note 12) | (116,267) | (648,624) |
| | 1,009,678 | 407,309 |
| **Financing** | | |
| Decrease (increase) in mortgage receivable | 901,622 | (227,005) |
| (Decrease) increase in loans payable | (725,647) | 250,000 |
| | 175,975 | 22,995 |
| **Investing** | | |
| Purchase of property and equipment | (948,056) | (1,131,884) |
| Deferred revenue | 978,291 | 615,886 |
| Deferred proceeds on the sale of property | (964,072) | 275,000 |
| | (933,837) | (240,998) |
| Net increase in cash and cash equivalents | 251,816 | 189,306 |
| Bank indebtedness | | |
| Beginning of year | (300,087) | (489,393) |
| End of year | $ (48,271) | $ (300,087) |

See accompanying notes to the consolidated financial statements.

# Waterfront Development Corporation Limited
# Notes to the consolidated financial statements
March 31, 2012

## 1. Nature of operations

The Corporation was declared a Provincial Crown Corporation by order of His Honour the Lieutenant Governor on March 30, 1976.

The Corporation's mission is to service as champion of a dynamic vision and to plan, coordinate, promote and develop properties, events and activities on designated waterfronts around Halifax Harbour and other locations as determined by the shareholder as detailed in the order in Council No. 2005-373 dated August 19, 2005.

On September 20, 2005, the Corporation purchased significant holdings in the Town of Lunenburg, as well as a numbered company, 3104102 N.S. Limited, which held additional properties in the Town. This was done in cooperation with the Province to protect the working waterfront in Lunenburg.

## 2. Conversion to Public Sector Accounting Standards

Commencing with the April 1, 2011 fiscal year, Waterfront Development Corporation Limited adopted Canadian public sector accounting ("PSA") standards. These consolidated financial statements are the first consolidated financial statements for which the Corporation has applied Canadian public sector accounting standards.

The impact of the conversion to Canadian public sector accounting standards on the accumulated surplus/deficit at the date of transition and the comparative annual surplus is presented in note 10. These changes have been applied retroactively with restatement in prior periods. The following changes have been implemented to comply with PSA standards:

| | Previously Stated April 1, 2010 | Adjustment April 1, 2010 | Restated April 1, 2010 |
|---|---|---|---|
| **Deferred capital grants related to real estate and development projects** | **$ 5,772,083** | **$ (5,772,083)** | **$ -** |

Waterfront Development Corporation Limited has elected to use the following exemption on transition:

a. Business combinations – exemption allows for the Corporation to prospectively adopt PS 2510 and as a result, business combinations prior to transition have not been restated.

## 3. Summary of significant accounting policies

### Basis of accounting

These financial statements are prepared on a consolidated basis in accordance with Canadian public sector accounting standards. As such, the financial position and results of operations of the 100% owned subsidiary, 3104102 N.S. Limited, are consolidated into these financial statements.

**3. Summary of significant accounting policies (continued)**

**Basis of consolidation**
The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the reporting entity, which is composed of all organizations, which are controlled by Waterfront Development Corporation Limited. See note 13 for a description of the controlled organization.

**Revenue recognition**
Rent and recovery revenues are recorded on an accrual basis as earned.

Revenue generated as a result of property development is applied as a reduction in the cost. The Corporation receives amounts from third parties for dumping fill on a Corporation property. These amounts have been offset against accumulated development costs related to the property and the excess has been recorded as deferred revenue.

Government assistance is recognized as revenue when the transfer is authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made. The assistance is accounted for as a deferred capital grant when amounts have been received but not all eligibility criteria have been met.

**Tangible capital assets including capital leases**
Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, renovation and development of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10-50 years |
| Wharves and walkways | 50 years |
| Equipment | 5 years |
| Paving | 10-50 years |
| Capital lease | 45 years |
| Monuments | 10 years |

On an annual basis, the Corporation reviews the carrying amounts of properties held and used in the fulfilling of its mandate. This includes both revenue producing properties, as well as properties held for the greater public use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Corporation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

There are ongoing negotiations for potential development projects on the Bedford, Dartmouth, Halifax, and Lunenburg waterfronts. The outcome of these negotiations and the possible financial impact on fair value of the existing land and buildings is indeterminable at this time.

**3. Summary of significant accounting policies (continued)**

**Measurement uncertainty**
The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of capital assets, rates for amortization, and allowance for doubtful accounts.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

**Mortgage receivable**
Mortgage receivable is recorded at cost less any amount for valuation allowance. Valuation allowances are made when collection is in doubt. Interest is accrued on the mortgage receivable to the extent it is deemed collectable.

**Deferred revenue**
Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the delivery of specific services and transactions. These amounts are recognized as revenue in the fiscal year the related expenses are incurred, services are performed or when stipulations are met.

**Liability for contaminated sites**
Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all the following criteria are met:

i. an environmental standard exists;
ii. contamination exceeds the environmental standard;
iii. the Corporation is directly responsible for or accepts responsibility; and
iv. a reasonable estimate of the amount can be made.

There are no environmental liabilities that warrant being recognized in the financial statements.

**Prepaids**
Prepaids include prepaid insurance and prepaids relating to the Tall Ships festival, and are charged to expense over the periods expected to benefit from it.

**Income taxes**
As a Provincial Crown Corporation, the Corporation is exempt from income taxes under the provisions of the Income Tax Act.

**Cash and cash equivalents and bank indebtedness**
Cash and cash equivalents are comprised of cash on hand, cash held in banks and bank overdrafts.

**3. Summary of significant accounting policies (continued)**

**Financial instruments**

Financial assets are classified as either held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are classified as either held for trading or other financial liability. All financial instruments, including any derivatives, are subsequently measured on the balance sheet at fair value, except for loans and receivables, held to maturity financial assets and other financial liabilities which are measured at amortized cost.

Changes in fair values of financial assets and liabilities classified as held for trading are recognized in net earnings. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, or credit risks arising from financial instruments.

The Corporation has classified its financial instruments and liabilities as follows:

| Financial asset/liability | Classification | Subsequent measurement |
|---|---|---|
| Cash and cash equivalents, Bank indebtedness on hand | Held for trading | Fair value |
| Accounts receivables | Loans and receivables | Amortized costs |
| Mortgage receivable | Loans and receivables | Amortized costs |
| Payables and accruals | Other liabilities | Effective interest method |
| Loan payable | Other liabilities | Effective interest method |
| Marketing payable | Other liabilities | Effective interest method |

**4. Receivables**

| | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| Receivables | $ 828,542 | $ 699,572 | $ 326,566 |
| Less: provision for doubtful accounts | (45,790) | (24,457) | (22,472) |
| | $ 782,752 | $ 675,115 | $ 304,094 |

**5. Mortgage receivable**

| | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| Mortgage receivable bearing interest at 3%, repayable in monthly installments of $2,000, with principal due March 31, 2012 | $ 199,000 | $ 221,000 | $ - |
| Mortgage receivable, repaid during the year | - | 879,622 | 873,617 |
| | $ 199,000 | $ 1,100,622 | $ 873,617 |

Subsequent to year end, the mortgage receivable balance of $199,000 has been fully collected by the Corporation.

| 6. Payables and accruals | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| Payables and accruals | $ 1,146,922 | $ 1,090,552 | $ 1,382,466 |
| Salaries and benefits payable | 41,940 | 28,375 | 29,259 |
| Marketing payable | 61,571 | 60,377 | 28,168 |
| Other | 98,987 | 92,828 | 78,768 |
| | $ 1,349,420 | $ 1,272,132 | $ 1,518,661 |

| 7. Loan payable | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| Demand loan | $ 1,245,000 | $ 875,000 | $ 625,000 |
| Nova Scotia Department of Economic and Rural Development and Tourism, repaid during the year | - | 1,095,647 | 1,095,647 |
| | $ 1,245,000 | $ 1,970,647 | $ 1,720,647 |

Cash flow resulting from the following has been used to temporarily repay the revolving operating line loan. If segregated funding was required or costs incurred to finance related developments and activities, the total debt would be increased from $1,245,000 to $5,268,085 through additional borrowings and other available funding as illustrated below:

| | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| Demand loan | $ 1,245,000 | $ 875,000 | $ 625,000 |
| Bedford infill (note 8) | 4,023,085 | 2,866,926 | 2,152,785 |
| | 5,268,085 | 3,741,926 | 2,777,785 |
| Nova Scotia Department of Economic and Rural Development and Tourism | - | 1,095,647 | 1,095,647 |
| | $ 5,268,085 | $ 4,837,573 | $ 3,873,432 |

**8. Deferred revenue**

Deferred revenues are set aside for specific purposes as required either by legislation, regulation or agreement as at March 31, 2012:

| | Balance at beginning of year | Receipts during year | Transferred to revenue | Balance at end of year |
|---|---|---|---|---|
| Deposits for project developments and programs | $ 210,000 | $ 20,000 | $ (210,000) | $ 20,000 |
| Bedford infill | 2,866,926 | 1,558,969 | (402,810) | 4,023,085 |
| Development of Halifax waterfront | 281,977 | 12,252 | (120) | 294,109 |
| | $ 3,358,903 | $ 1,591,221 | $ (612,930) | $ 4,337,194 |

The Corporation receives funds in advance from regional and provincial governing bodies for various waterfront development projects, with the intention to develop these projects in future periods. The Corporation receives amounts from third parties for dumping fill in Bedford. The intent is to develop the Bedford infill property and utilize this long term deferred revenue in that development over future periods. The Corporation received amounts from a third party as part of a development agreement for the Halifax waterfront; the intent is to use these funds in the development of the waterfront in future periods.

### 9. Tangible Capital Assets

March 31, 2012

| | Land | Buildings | Wharves and walkways | Equipment | Paving | Capital lease | Other | Lunenburg (note 13) | 2012 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Opening balance | $ 20,079,191 | $ 9,689,690 | $ 8,567,858 | $ 1,570,799 | $ 435,016 | $ 1,704,472 | $ 331,511 | $ 4,365,742 | $ 46,744,279 |
| Additions | 139,662 | 52,223 | 211,354 | 280,352 | 13,117 | - | - | 316,171 | 1,012,879 |
| Disposals | - | - | - | - | - | - | (21,793) | (43,030) | (64,823) |
| Closing balance | 20,218,853 | 9,741,913 | 8,779,212 | 1,851,151 | 448,133 | 1,704,472 | 309,718 | 4,638,883 | 47,692,335 |
| **Accumulated Amortization** | | | | | | | | | |
| Opening balance | - | 5,129,201 | 1,517,590 | 704,564 | 183,021 | 1,277,625 | 51,320 | 237,162 | 9,100,483 |
| Amortization | - | 220,667 | 182,853 | 225,730 | 7,468 | 35,528 | 45,504 | 51,790 | 769,540 |
| Disposals | - | - | - | - | - | - | - | - | - |
| Closing balance | - | 5,349,868 | 1,700,443 | 930,294 | 190,489 | 1,313,153 | 96,824 | 288,952 | 9,870,023 |
| **Net book value** | $ 20,218,853 | $ 4,392,045 | $ 7,078,769 | $ 920,857 | $ 257,644 | $ 391,319 | $ 212,894 | $ 4,349,931 | $ 37,822,312 |

March 31, 2011

| | Land | Buildings | Wharves and walkways | Equipment | Paving | Capital lease | Other | Lunenburg (note 13) | 2011 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Opening balance | $ 20,075,191 | $ 9,458,796 | $ 8,234,239 | $ 1,208,376 | $ 435,016 | $ 1,704,472 | $ 92,072 | $ 4,430,759 | $ 45,638,921 |
| Additions | 4,000 | 230,894 | 333,619 | 362,423 | - | - | 239,439 | 97,951 | 1,268,326 |
| Disposals | - | - | - | - | - | - | - | (162,968) | (162,968) |
| Closing balance | 20,079,191 | 9,689,690 | 8,567,858 | 1,570,799 | 435,016 | 1,704,472 | 331,511 | 4,365,742 | 46,744,279 |
| **Accumulated Amortization** | | | | | | | | | |
| Opening balance | - | 4,916,764 | 1,342,632 | 522,445 | 167,791 | 1,242,097 | 33,762 | 211,140 | 8,436,631 |
| Amortization | - | 212,437 | 174,958 | 182,119 | 15,230 | 35,528 | 17,558 | 52,122 | 689,952 |
| Disposals | - | - | - | - | - | - | - | (26,100) | (26,100) |
| Closing balance | - | 5,129,201 | 1,517,590 | 704,564 | 183,021 | 1,277,625 | 51,320 | 237,162 | 9,100,483 |
| **Net book value** | $ 20,079,191 | $ 4,560,489 | $ 7,050,268 | $ 866,235 | $ 251,995 | $ 426,847 | $ 280,191 | $ 4,128,580 | $ 37,643,796 |

The capital lease is a prepaid long term lease from the Federal Department of Public Works for a term of 45 years from 1977, with three ten-year renewal options.

## 10. Accumulated surplus

The accumulated surplus is made up as follows:

| | 2012 | 2011 | 2010 |
|---|---|---|---|
| Accumulated surplus | $ 17,994,769 | $ 17,638,364 | $ 17,272,383 |
| Contributed surplus | 13,747,826 | 13,747,826 | 13,747,826 |
| Share capital | 3 | 3 | 3 |
| | $ 31,742,598 | $ 31,386,193 | $ 31,020,212 |

Accumulated surplus

| | 2011 |
|---|---|
| **Accumulated surplus beginning of year as originally reported** | $ 11,500,300 |
| Adjustment to accumulated surplus on PSA transition related to previously deferred capital grants | 5,772,083 |
| **Accumulated surplus beginning of year as restated** | 17,272,383 |
| Annual surplus for the year as originally reported | 459,637 |
| Adjustment to annual surplus for the 2011 fiscal year on PSA transition related to: | |
| • previously reported amortization of deferred capital grants | (111,706) |
| • capital grants previously deferred now recognized as revenue | 297,453 |
| • loss on sale of Lunenburg property | (4,403) |
| • sale proceeds payment to Province of Nova Scotia | (275,000) |
| Annual surplus for the year as restated | 365,981 |
| **Accumulated surplus end of year** | **$17,638,364** |

| | 2012 | 2011 | April 1 2010 |
|---|---|---|---|
| **Authorized:** | | | |
| 5,000 shares without nominal or par value | | | |
| **Issued:** | | | |
| 3 shares | $ 3 | $ 3 | $ 3 |

The shares are held in trust by one representative of the Province for the Queen in Right of the Province of Nova Scotia.

## 11. Employee pension plan

The Corporation is a participant in a Multi-Employer Pension Plan, the Nova Scotia Public Service Superannuation Plan.

Any unfunded liability of the Plan applicable to the Corporation is not determinable and should not be significant as its participation includes only thirteen employees.

### 12. Supplemental cash flow information

| | 2012 | 2011 |
|---|---|---|
| Change in non-cash operating working capital | | |
| Receivables | $ (50,670) | $ (417,988) |
| Prepaids | (142,885) | 15,893 |
| Payables and accruals | 77,288 | (246,529) |
| | $ (116,267) | $ (648,624) |

### 13. Lunenburg investment

In fiscal 2006, the Corporation acquired real estate properties in the Town of Lunenburg by way of a 100% share purchase of 3104102 N.S. Limited and direct asset purchases.

The Province provides an annual operating grant to cover any shortfall between revenues and expenditures.

The Lunenburg assets consist of land, buildings and wharves. These assets have been shown as a separate line item within the Tangible Capital Assets schedule in note 9 to the financial statements. This is to recognize these assets as a unique group whose title with the Corporation may not necessarily be long term in nature, depending on decisions of the Province.

### 14. Related party transactions

During the year, the Corporation transacted business with various Departments and Crown Corporations of the Province of Nova Scotia. These transactions included rent charged to these entities for use of the Corporation's assets. Other revenues received from related parties include operating grants. Various expenditures were incurred by the Corporation for transactions with these same related parties for payroll benefits, consulting and legal services.

### 15. Commitments

(i) The Corporation has entered into an agreement with an existing combined residential and commercial building on the Halifax waterfront to allow partial early conversion of the complex into condominium units. The Corporation will receive total compensation of $500,000 over a five year period, the timing of payments being contingent on the sale of condo units. Payment will be either by way of direct cash payment to the Corporation or by the construction of amenities on the Halifax waterfront by the vendor of the condo units. The Corporation has committed to use the direct cash compensation received on the construction of amenities on the Halifax waterfront. In the current fiscal year, the Corporation has recognized $12,252 as deferred revenue. The Corporation has cumulatively recognized $314,573 as deferred revenue and expended $20,464 on amenities for a net deferred balance of $294,109 (refer to note 8).

(ii) During 2008, the Corporation sold land in Bedford. Under the terms of the purchase and sale agreement, the Corporation is required to provide a public walkway on a portion of the anticipated development. Management's estimate of this cost is approximately $250,000. This commitment would be subject to capital budget approval by the Province and funded as any other capital item, that is, either internally through cash flow or credit facility, or through a capital grant. The commitment is expected to be realized in fiscal 2013.

**15. Commitments (continued)**

(iii) The Corporation is hosting a Tall Ships event in July 2012. Expenditures will be approximately $2.5 million and are expected to be covered by revenue generated from grants, sponsorships, and earned income. The most recent Tall Ships event was in 2009 and the event experienced a financial breakeven. The majority of both revenues and expenditures are committed.

**16. Employee compensation**

As required under the Public Sector Compensation Disclosure Act for the Province of Nova Scotia, the following are total gross compensation in excess of $100,000 for individual employees of the Corporation:

| | |
|---|---|
| Colin MacLean, President and CEO | $151,834 |
| Eric Burchill, Director of Planning and Development | $115,134 |

**17. Capital management**

The Corporation's objectives when managing capital are:

a) To maintain financial strength through sound stewardship of core assets and long-term development and financial planning such that it is able to continue designing and developing great waterfronts; and
b) To ensure a return on and use of public assets that strikes a balance between allowing the Corporation to be self sufficient while providing for public enjoyment of their waterfronts.

The above objectives are considered in annual budgets and property development planning.

**18. Comparative figures**

Certain of the comparative figures for 2011, have been reclassified to conform with the financial statement presentation adopted for 2012.

**19. Credit facility**

In fiscal 2008, the Corporation entered into a credit facility agreement with the Royal Bank of Canada. The facility provides a $6 million revolving operating line at RBC prime rate, less 1.125%. The facility is a five year agreement expiring in June 2012, and is guaranteed by the Province of Nova Scotia.

Subsequent to year end, the Royal Bank of Canada provided an accepted quote for a renewed credit facility commencing with the expiration of the current agreement. The new agreement will include a $6 million revolving operating line bearing interest at 1% that will not be guaranteed by the Province of Nova Scotia.

## Waterfront Development Corporation Limited
## Schedule 1 - Property expenses

| Year ended March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Expense | | | |
| Depreciation and amortization | $ 690,000 | $ 717,750 | $ 637,830 |
| Repairs and maintenance | 310,000 | 405,171 | 376,702 |
| Landscaping and waste removal | 162,600 | 269,386 | 135,024 |
| Wages and labour | 244,500 | 201,693 | 175,589 |
| Security | 166,500 | 159,119 | 113,922 |
| Utilities | 124,000 | 149,746 | 104,443 |
| Equipment and supplies | 106,000 | 108,835 | 81,257 |
| Insurance | 98,400 | 91,825 | 90,895 |
| Miscellaneous | 97,600 | 99,092 | 98,512 |
| Property taxes | 22,000 | 23,856 | 27,040 |
| Total expenditures | $ 2,021,600 | $ 2,226,473 | $ 1,841,214 |

## Waterfront Development Corporation Limited
## Schedule 2 - Corporate expenses

| Year ended March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Expense | | | |
| Salaries, contracts and benefits | $ 1,174,000 | $ 1,155,763 | $ 1,110,544 |
| Professional fees | | | |
| Programs | 350,000 | 204,818 | 270,342 |
| Audit | 25,000 | 18,360 | 24,677 |
| Consulting | 30,000 | 44,400 | 97,323 |
| Legal fees | 40,000 | 2,482 | 22,596 |
| Office operations | 193,300 | 217,229 | 189,725 |
| Waterfront promotions and public relations | 144,500 | 146,377 | 187,324 |
| Directors' fees and expenses | 57,600 | 42,394 | 48,515 |
| Doubtful accounts (recovery) | 6,000 | 7,651 | (4,337) |
| Loan interest | 25,000 | 14,763 | 7,623 |
| Total expenditures | $ 2,045,400 | $ 1,854,237 | $ 1,954,332 |

## Waterfront Development Corporation Limited
## Schedule 3 - Revenue and expense for the Lunenburg Real Estate and Development Projects

| Year ended March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Revenue | | | |
| Rents | $ 248,500 | $ 374,493 | $ 349,706 |
| Operating grant | 390,000 | 364,784 | 368,316 |
| | 638,500 | 739,277 | 718,022 |
| Expense | | | |
| Administration | - | 1,063 | 806 |
| Depreciation | - | 51,790 | 52,122 |
| Professional fees | - | 76,488 | 54,742 |
| Operating | 638,500 | 345,555 | 421,988 |
| | 638,500 | 474,896 | 529,658 |
| Excess of revenue over expenditures before other items | $ - | $ 264,381 | $ 188,364 |
| Other items | | | |
| Loss on sale of property | - | 35,852 | 4,403 |
| Sale proceeds payment to Province of Nova Scotia | - | 7,179 | 275,000 |
| Excess of revenue over expenditures | $ - | $ 221,350 | $ (91,039) |

## Waterfront Development Corporation Limited
## Schedule 4 - Revenue and expense for the Tall Ships Nova Scotia Festival

| Year ended March 31 | Budget | 2012 | 2011 |
|---|---|---|---|
| Revenue | | | |
| Government grant | $ - | $ 386,815 | $ - |
| Expense | | | |
| Administration and management | - | 261,859 | - |
| Marketing | - | 96,930 | - |
| Office and supplies | - | 5,821 | - |
| Website | - | 22,205 | - |
| | - | 386,815 | - |
| Excess of revenue over expenditures | $ - | $ - | $ - |